

**March 15, 2006**

### **CREDIT UNION COUNCIL MEETS**

The Credit Union Council on March 9, 2006 met in KDCU's conference room. Council members present were Erich Schaefer, Chair, Garden City; Mark Bezdek, Secretary, Topeka; Mark Kolarik, Pittsburg, Denise Bonner, Lawrence; Lee Williams, Wichita and William McCurley, Shawnee Mission.

The Council by resolution honored past Council members Antonio Augusto, Gary Regoli, Gilbert Benton and Steve Ray for their service to Kansas credit unions. The Council also honored by resolution U.S. Central Credit Union attorney Henry Dyhouse for the many past services provided the Council and Kansas credit unions.

Reports from the KDCU to the council included: Administrator report, Legislative Post Audit update, Senate Bill 495, KDCU Financial Reports, and Credit Union Status Reports.

The Kansas Credit Union Association updated the Council in state and federal credit union legislation.

Kansas Corporate Credit Union described recent changes in the corporate credit union network.

The next meeting of the Credit Union Council will be at 10:00 a.m., June 1, 2006 in the KDCU conference room, 400 Kansas Avenue, Suite B, Topeka, Kansas. The seven member council is appointed by the Governor to advise the Administrator on issues and needs of credit unions. You are invited and encouraged to attend council meetings.

### **INDEPENDENT TESTING FOR BANK SECURITY ACT COMPLIANCE**

Recent examination reports indicate many Kansas Chartered Credit Unions are in need of an independent test of their Bank Security Act (BSA) Compliance Program. By now all Kansas Chartered Credit Unions' BSA Compliance Programs should have been independently tested as required by Section 748.2(c) of the NCUA Rules and regulations. If your credit union has not been independently tested at least once you have a significant BSA compliance violation.

Independent testing may be accomplished by internal audit, outside auditors, consultants, or other qualified independent parties. The person or persons conducting the testing should report the results directly to the board of directors or to a designated committee of the board.

Any qualified person or persons may perform the independent testing for the credit union. This includes internal staff, volunteer officials or an outside person. To be qualified to test for compliance, the person/persons conducting the testing must understand the requirements of BSA and be independent of the credit union's BSA program.

Information needed to perform the independent testing can be found in the following publications:

- National Credit Union Administration (NCUA) Letter to Credit Unions, No. 03-CU-16, dated October 2003.
- NCUA Letter to Credit Unions, No. 05-CU-09, dated June 2005
- NCUA Letter to Credit Unions, No. 05-CU-16, dated October 2005

There is no statutory requirement for annual independent testing but best practices dictate it should be accomplished annually. A credit union should provide written justification if it chooses not to conduct independent testing on an annual basis. Under no circumstances should the independent testing period exceed 18 months.

### **2006 ROSTER OF CREDIT UNION OFFICIALS AND OATH OF DIRECTORS AND COMMITTEE MEMBERS**

On December 27, 2005, KDCU mailed Kansas 2006 Roster of Credit Union Officials, a required report under K.S.A. 17-2206(a), and the 2006 Oath of Directors and Committee Members, a required report under K.S.A. 17-2208(c). These forms are to be completed after your annual meeting in 2006.

The Rosters are frequently used by staff in our normal course of business; therefore, please make every effort to return both the roster and oath to our office after your annual meeting.

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**KDCU NEWSLETTER**

**VOLUME 1 NO. 2**

**March 15, 2006**

As stated in our letter of December 27, 2005, NCUA also requires you to furnish them a copy of their form "Report of Officials" either in paper form or electronically. NCUA's "Report of Officials" form is not acceptable in lieu of our form because it does not show the date elected and date expired for the terms of the board and committees and NCUA will not accept our forms. Therefore, please send the "Report of Officials" to NCUA and the "Roster of Credit Union Officials" to the Kansas Department of Credit Unions.

If you have any questions, please feel free to call our office at (785) 296-3021.

**ADMINISTRATOR'S COMMENTS**

**Credit union assistance program:**

In 2003, KDCU started a program to help credit unions under \$10 million in assets outside of the examination context. Later the program was expanded to all credit unions regardless of asset size.

I am informed the program has done well and we were able to help several credit unions solve issues. If you need and want help, we will do our best to meet your need outside of the context of the examination, regardless of your asset size. KDCU has nine seasoned examiners with a variety of backgrounds and experiences who are interested in helping your credit unions operate profitably and smoothly.

Let us help you serve your membership better. If you are interested, please contact the KDCU office or any examiner to arrange assistance.

Please remember your representatives from the Kansas Credit Union Association are available to assist you with any issues whether from the examination or otherwise.

**Legislative Post Audit:**

The Kansas Legislature Division of Post Audit is conducting a performance based audit of KDCU; the scope of the audit can be found at [http://www.kslegislature.org/postaudit/audits\\_progress/creditunion.htm](http://www.kslegislature.org/postaudit/audits_progress/creditunion.htm). The report will be issued within

the next few weeks to the Legislative Post Audit Committee, a bipartisan committee comprising five senators and five representatives.

**KDCU Bulletins**

KDCU Bulletins will be our means for communicating information regarding best practices or guidelines for credit unions as information and issues occur. Bulletins should be reviewed by the board of directors, supervisory committees, and senior credit union management and retained for future reference. On March 6, 2006 KDCU Bulletin 2006-KDCU-CUB-01 Board of Directors Responsibilities was sent to credit unions.

**Web site redesign**

Our web site is being redesigned to be more useful to credit unions and consumers.

John P. Smith, Administrator

**KDCU STAFF**

**ADMINISTRATOR**

John P. Smith

**FINANCIAL EXAMINER ADMINISTRATOR**

Jack Hohman

**FINANCIAL EXAMINER PRINCIPAL**

James Burgess

Warren Meyer

Steve Borchers

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**FINANCIAL EXAMINER SENIOR**

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